

HOME TOWNSHIP
MONTCALM COUNTY, MICHIGAN
ANNUAL FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT
JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name HOME TOWNSHIP	County MONTCALM
Fiscal Year End JUNE 30, 2006	Opinion Date SEPTEMBER 5, 2006	Date Audit Report Submitted to State NOVEMBER 17, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED. *ONLY QUALIFIED DUE TO LACK OF MANAGEMENT'S DISCUSSION & ANALYSIS*
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEAN JENSEN, CPA, PC		Telephone Number (616)754-8888	
Street Address 108 N. LAFAYETTE ST, SUITE D		City GREENVILLE	State MI
Zip 48838			
Authorizing CPA Signature <i>Dean Jensen</i>	Printed Name Dean Jensen	License Number 1599212	

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Home Township
Montcalm County, Michigan

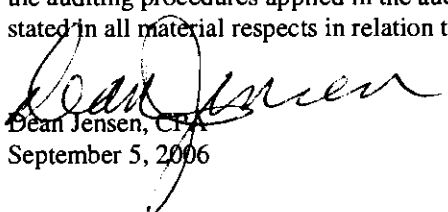
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of and for the year ended June 30, 2006, which collectively comprise Home Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Home Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supporting financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of June 30, 2006, and the respective changes in fund balance for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Home has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2006. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Home Township, Montcalm County, Michigan basic financial statements. The combining and individual fund financial statements as listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dean Jensen, CPA
September 5, 2006

GOVERNMENT WIDE FINANCIAL STATEMENTS

**HOME TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 788,192
Receivables - other governmental units	15,018
Capital assets (net)	<u>873,019</u>
Total Assets	<u>\$ 1,676,229</u>
 LIABILITIES	
Fire truck loan	<u>\$ 190,000</u>
Total liabilities	<u>190,000</u>
 NET ASSETS	
Invested in capital assets, net of related debt	683,019
Unrestricted	<u>803,210</u>
Total net assets	<u><u>\$ 1,486,229</u></u>

See accompanying notes to financial statements

**HOME TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Program Revenues</u>				Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT					
General government	\$ 155,956	\$ 25,674	\$ -	\$ -	(130,282)
Public safety	159,597	33,820	-	-	(125,777)
Public works	76,296	-	-	1,199	(75,097)
Recreation and culture	107,272	29,507	101,909	-	24,144
Total primary government	<u>499,121</u>	<u>89,001</u>	<u>101,909</u>	<u>1,199</u>	<u>(307,012)</u>
General Revenues					
Property taxes					303,735
State shared revenues					111,721
Unrestricted investment earnings					21,691
Other					20,951
Total general revenues					<u>458,098</u>
Change in net assets					151,086
Net assets - beginning of year					1,335,143
Net assets - end of year					<u>1,486,229</u>

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

**HOME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2006**

	MAJOR FUNDS								TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	FIRE EQUIPMENT FUND	POLICE EQUIPMENT FUND	LIBRARY FUND	CEDAR LAKE LIGHTS FUND	
ASSETS									
Cash and cash equivalents	\$ 244,571	\$ 48,723	\$ 85,349	\$ 124,995	\$ 32,938	\$ 67,672	\$ 182,886	\$ 1,058	\$ 788,192
Accounts receivable	15,018	-	-	-	-	-	-	-	15,018
Total Assets	259,589	48,723	85,349	124,995	32,938	67,672	182,886	1,058	803,210
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable	-	-	-	-	-	-	-	-	-
Due to other fund	-	-	-	-	-	-	-	-	-
Payroll tax liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Reserved for municipal streets	-	48,723	-	-	-	-	-	-	48,723
Reserved for fire operations	-	-	85,349	-	-	-	-	-	85,349
Reserved for police operations	-	-	-	124,995	-	-	-	-	124,995
Reserved for fire equipment	-	-	-	-	32,938	-	-	-	32,938
Reserved for police equipment	-	-	-	-	-	67,672	-	-	67,672
Reserved for library	-	-	-	-	-	-	182,886	-	182,886
Reserved for Cedar Lake Lights	-	-	-	-	-	-	-	1,058	1,058
Unreserved	259,589	-	-	-	-	-	-	-	259,589
Total Fund Balances	259,589	48,723	85,349	124,995	32,938	67,672	182,886	1,058	803,210
TOTAL LIABILITIES AND FUND BALANCES	\$ 259,589	\$ 48,723	\$ 85,349	\$ 124,995	\$ 32,938	\$ 67,672	\$ 182,886	\$ 1,058	\$ 803,210

Amounts reported for governmental activities in the statement of net assets are different because:

*Total fund balance - governmental funds

*Capital assets used in governmental activities are not financial resources and are not reported in the funds

*Long-term liabilities are not due and payable in the current period and are not reported in the funds

Net assets of Governmental Activities

\$	803,210
	873,019
	(190,000)
\$	<u>1,486,229</u>

See accompanying notes to financial statements

HOME TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2006

	MAJOR FUNDS							CEDAR LAKE LIGHTS FUND	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	FIRE EQUIPMENT FUND	POLICE EQUIPMENT FUND	LIBRARY FUND		
REVENUES									
Property taxes	\$ 52,897	\$ 58,180	\$ 72,727	\$ 72,727	\$ -	\$ -	\$ 47,204	\$ -	\$ 303,735
Special assessments	-	-	-	-	-	-	-	1,199	1,199
State grants	108,090	-	-	-	-	-	3,631	-	111,721
Interest	6,555	783	2,016	2,998	4,833	2,863	1,616	27	21,691
Rents	1,664	-	-	-	-	-	-	-	1,664
Fees and services	24,010	-	-	33,820	-	-	-	-	57,830
Penal fines	-	-	-	-	-	-	29,507	-	29,507
Gifts	-	-	-	-	-	-	101,909	-	101,909
Other	4,982	-	76	4,436	1,800	-	9,657	-	20,951
Total Revenues	198,198	58,963	74,819	113,981	6,633	2,863	193,524	1,226	650,207
EXPENDITURES									
General government	118,439	-	-	-	-	-	-	-	118,439
Public safety	-	-	56,086	78,700	-	-	-	-	134,786
Public services	822	74,210	-	-	-	-	-	1,264	76,298
Recreation and culture	-	-	-	-	-	-	102,518	-	102,516
Other	22,756	-	-	-	-	-	-	-	22,756
Capital outlay	1,840	-	-	-	354,244	291	9,625	-	366,000
Total Expenditures	143,857	74,210	56,086	78,700	354,244	291	112,141	1,264	820,793
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,341	(15,247)	18,733	35,281	(347,611)	2,572	81,383	(38)	(170,586)
OTHER FINANCING SOURCES									
Loan proceeds	-	-	-	-	190,000	-	-	-	190,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	54,341	(15,247)	18,733	35,281	(157,611)	2,572	81,383	(38)	19,414
FUND BALANCE-BEGINNING OF YEAR	205,248	63,970	66,616	89,714	190,549	65,100	101,503	1,096	783,796
FUND BALANCE-END OF YEAR	\$ 259,589	\$ 48,723	\$ 85,349	\$ 124,995	\$ 32,938	\$ 67,672	\$ 182,886	\$ 1,058	\$ 803,210

See accompanying notes to financial statements

**HOME TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

Net change in Fund Balances - total governmental funds	\$ 19,414
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: capital outlay	366,000
Deduct: depreciation expense	(44,328)

Loan proceeds are not reported as financing sources on the statement of activities	<u>(190,000)</u>
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Change in net assets of governmental activities	<u><u>\$ 151,086</u></u>
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See accompanying notes to financial statements

**HOME TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township was organized in 1865 and is located in Montcalm County, Michigan. The Township operates under an elected board of five (5) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, culture/recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of Home Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

A - THE REPORTING ENTITY

In accordance with generally accepted accounting principles and governmental accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the township does not contain any component units.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement and focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing operations.

The 2005 taxable valuation of the Township totals \$62,151,266 on which ad valorem taxes levied consisted of .9132 mills for the Township operating purposes, 1.2448 mills for combined fire operations, 1.2447 mills for combined police operations and .9958 mills for municipal streets. These amounts are recognized in the respective fund financial statements as revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

D- BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to report all governmental funds as major funds.

The Township reports the following governmental funds as major funds:

- **The General Fund** is the Township's primary operating fund. It accounts for all financial resources in the general government, except those required to be accounted for in another fund.
- **The Municipal Street Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the renovation and improvements to the Township's roads.
- **The Fire Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Fire Department.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- The **Police Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Police Department.
- The **Fire Equipment Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Fire Department equipment.
- The **Police Equipment Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Police Department equipment.
- The **Library Fund** is used to account for funds received and expended for the operation of the Township's Library.
- The **Cedar Lake Lights Fund** is used to account for funds received and expended for the special assessment district which provides for street lighting for its district.

E – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Equipment and Furnishings	7 to 15 years
Fire Department Vehicles	25 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the Township Board adopts by resolution a budget for the ensuing year.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within department appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at the fiscal year end.
6. Adoption and amendments of all budgets used by the township are governed by Public Act 621.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2006, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Unfavorable Budget Variance</u>
General Fund			
Payroll taxes	4,600	4,642	(42)
Fire Operations Fund			
Workers' compensation	1,222	2,140	(918)
Capital outlay	0	12,763	(12,763)
Police Operations Fund			
Workers' compensation	880	1,760	(880)
Fire Equipment Fund			
Equipment	42,837	354,244	(311,407)
Library Fund			
Payroll taxes	3,118	3,276	(158)
Office supplies	2,600	2,775	(175)
Audio-visual and non-book	4,000	4,242	(242)
Professional & contracted services	1,100	1,508	(408)
Insurance	130	236	(106)

NOTE 2 – CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. Investments can also be made in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the United States government, or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating agencies which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of the government of Michigan. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States Government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's cash deposits and investments was \$788,192 and the bank balance was \$811,015. Of the bank balance, \$356,443 was covered by federal depository insurance and \$454,572 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were all categorized as category 1.

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 61,717	\$ -	\$ -	\$ 61,717
Capital assets being depreciated				
Buildings	423,357	7,940	-	431,297
Improvements other than buildings	5,203	-	-	5,203
Machinery and equipment	230,388	5,329	-	235,717
Vehicles	261,155	352,731	-	613,886
Total capital assets being depreciated	<u>920,103</u>	<u>366,000</u>	<u>-</u>	<u>1,286,103</u>
Less accumulated depreciation for:				
Buildings	197,012	10,584	-	207,596
Improvements other than buildings	4,030	477	-	4,507
Machinery and equipment	103,219	17,224	-	120,443
Vehicles	126,212	16,043	-	142,255
Total accumulated depreciation	<u>430,473</u>	<u>44,328</u>	<u>-</u>	<u>474,801</u>
Net capital assets being depreciated	<u>489,630</u>	<u>321,672</u>	<u>-</u>	<u>811,302</u>
Governmental activities total				
Capital assets - net of depreciation	<u>\$ 551,347</u>	<u>\$ 321,672</u>	<u>\$ -</u>	<u>\$ 873,019</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$14,761
Public safety	24,811
Recreation and culture	<u>4,756</u>
 Total Governmental Activities	 <u>\$44,328</u>

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 4 – RETIREMENT PLAN

The Township has a defined contribution pension plan for all elected officials. A defined contribution pension plan provides pension benefits for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions. During the year, the Township's actual contributions to the plan amounted to \$6,773. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 6 – DEFERRED COMPENSATION

The Township does not have a deferred compensation plan.

NOTE 7 – POST EMPLOYMENT

The Township does not furnish any post employment benefits to its employees.

NOTE 8 - ACCUMULATED VACATION AND SICK PAY

The Township employees do not earn vacation pay and they are not paid for sick days.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 9 – LONG-TERM DEBT

The long-term debt of the Township is summarized as follows:

Fire truck note payable with the United States Department of Agriculture, Rural Development dated June 8, 2006 for the purchase of a new fire truck. Original debt: \$190,000, interest at 4.375%.

Payments are due as follows:

<u>Year</u>	<u>Principal (March 1)</u>	<u>Interest (March 1)</u>	<u>Interest (September 1)</u>	<u>Total Debt Service</u>	<u>Principal Balance</u>
					190,000
2006			1,913.01	1,913.01	190,000
2007	10,000	4,156.25	3,937.50	18,093.75	180,000
2008	10,000	3,937.50	3,718.75	17,656.25	170,000
2009	10,000	3,718.75	3,500.00	17,218.75	160,000
2010	10,000	3,500.00	3,281.25	16,781.25	150,000
2011	10,000	3,281.25	3,062.50	16,343.75	140,000
2012	10,000	3,062.50	2,843.75	15,906.25	130,000
2013	10,000	2,843.75	2,625.00	15,468.75	120,000
2014	15,000	2,625.00	2,296.88	19,921.88	105,000
2015	15,000	2,296.88	1,968.75	19,265.63	90,000
2016	15,000	1,968.75	1,640.63	18,609.38	75,000
2017	15,000	1,640.63	1,312.50	17,953.13	60,000
2018	15,000	1,312.50	984.38	17,296.88	45,000
2019	15,000	984.38	656.25	16,640.63	30,000
2020	15,000	656.25	328.13	15,984.38	15,000
2021	15,000	328.13	-	15,328.13	-
	<u>190,000</u>	<u>36,312.52</u>	<u>34,069.28</u>	<u>260,381.80</u>	

HOME TOWNSHIP - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues				
Property taxes	\$ 52,500	\$ 52,500	\$ 52,897	\$ 397
Administration fee	21,650	21,650	22,250	600
State grants	95,019	95,019	108,090	13,071
Zoning fees	800	800	1,760	960
Interest	800	800	6,555	5,755
Rents and royalties	130	130	54	(76)
Community hall rents	1,400	1,400	1,610	210
Other revenues	<u>5,130</u>	<u>5,130</u>	<u>4,982</u>	<u>(148)</u>
Total Revenues	177,429	177,429	198,198	20,769
Expenditures				
Township board	22,045	22,755	19,528	3,227
Supervisor	7,800	7,880	7,225	655
Elections	5,250	8,250	1,570	6,680
Assessor	27,700	27,700	25,303	2,397
Attorney	5,232	6,082	4,508	1,574
Clerk	18,850	18,850	16,361	2,489
Board of Review	1,775	1,775	1,094	681
Treasurer	19,360	19,360	18,599	761
Township hall	18,597	22,304	16,828	5,476
Cemetery	3,258	3,903	3,903	-
Planning commission	6,675	6,675	5,360	1,315
Waste disposal	1,300	1,300	822	478
Building and construction	13,000	13,000	-	13,000
Contingencies	3,000	3,540	3,540	-
Insurance	6,900	7,931	7,801	130
Pension	8,000	8,000	6,773	1,227
Payroll taxes	<u>4,600</u>	<u>4,600</u>	<u>4,642</u>	<u>(42)</u>
Total Expenditures	173,342	183,905	143,857	40,048
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,087</u>	<u>(6,476)</u>	<u>54,341</u>	60,817
FUND BALANCE - BEGINNING OF THE YEAR	<u>205,248</u>	<u>205,248</u>	<u>205,248</u>	
FUND BALANCE - END OF THE YEAR	<u>\$209,335</u>	<u>\$198,772</u>	<u>\$259,589</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2006**

TOWNSHIP BOARD

Salaries and wages	\$ 6,801	
Office supplies	3,000	
Professional services	2,950	
Communications	1,160	
Transportation	163	
Printing	600	
Miscellaneous	4,854	
Roads	-	
Hitachi Payback	<u>-</u>	19,528

SUPERVISOR

Salaries and wages	7,053	
Miscellaneous	130	
Office supplies	<u>42</u>	7,225

ELECTIONS

Salaries and wages	1,207	
Office supplies	119	
Transportation	135	
Printing	29	
Miscellaneous	<u>80</u>	1,570

ASSESSOR

Salaries and wages	23,500	
Office supplies	1,194	
Tax bill preparations	509	
Miscellaneous	<u>100</u>	25,303

ATTORNEY

Professional services	4,076	
Tax appeals	<u>432</u>	4,508

CLERK

Salaries and wages	16,244	
Office supplies	117	
Miscellaneous	<u>-</u>	16,361

BOARD OF REVIEW

Salaries and wages	700	
Printing	300	
Office supplies	29	
Miscellaneous	<u>65</u>	1,094

TREASURER

Salaries and wages	18,034	
Office supplies	565	
Miscellaneous	<u>-</u>	18,599

See accompanying notes to financial statements

**HOME TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

TOWNSHIP HALL

Operating supplies	329	
Copier expense	26	
Communications	456	
Public utilities	3,850	
Hall custodian	3,668	
Repair and maintenance	2,911	
Capital outlay - equipment	2,744	
Capital outlay - building improvement	492	
Library maintenance	<u>2,352</u>	16,828

CEMETERY

Salaries and wages	3,695	
Repair and maintenance	<u>208</u>	3,903

PLANNING AND COMMISSION

Salaries and wages	4,620	
Office supplies	162	
Printing	426	
Miscellaneous	152	
Transportation	<u>-</u>	5,360

WASTE DISPOSAL

822

BUILDING AND CONSTRUCTION

-

INSURANCE

7,801

PENSION

6,773

PAYROLL TAXES

4,642

CONTINGENCIES

3,540

TOTAL EXPENDITURES

\$ 143,857

See accompanying notes to financial statements

**HOME TOWNSHIP
MUNICIPAL STREET FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 50,000	\$ 50,000	\$ 58,180	\$ 8,180
Interest	<u>60</u>	<u>60</u>	<u>783</u>	<u>723</u>
Total Revenues	<u>50,060</u>	<u>50,060</u>	<u>58,963</u>	<u>8,903</u>
EXPENDITURES				
Roads	<u>63,995</u>	<u>74,210</u>	<u>74,210</u>	<u>-</u>
TOTAL EXPENDITURES	<u>63,995</u>	<u>74,210</u>	<u>74,210</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,935)	(24,150)	(15,247)	8,903
FUND BALANCE-BEGINNING OF YEAR	<u>63,970</u>	<u>63,970</u>	<u>63,970</u>	
FUND BALANCE-END OF YEAR	<u>\$ 50,035</u>	<u>\$ 39,820</u>	<u>\$ 48,723</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
FIRE OPERATIONS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 67,687	\$ 67,687	\$ 72,727	\$ 5,040
Interest	300	300	2,016	1,716
Miscellaneous	-	-	76	76
Total Revenues	<u>67,987</u>	<u>67,987</u>	<u>74,819</u>	<u>6,832</u>
EXPENDITURES				
Salaries and wages	19,637	20,000	17,983	2,017
Payroll taxes	1,600	1,600	1,449	151
Office supplies	300	300	19	281
Operating supplies	3,000	3,000	2,016	984
Communications	1,200	1,510	1,496	14
Repair and maintenance	5,000	5,000	1,424	3,576
Life insurance	1,120	1,120	1,083	37
Property and liability insurance	7,678	8,000	7,823	177
Workers' compensation	1,222	1,222	2,140	(918)
Firemen's liability insurance	2,000	2,174	2,174	-
Miscellaneous	2,000	2,000	1,477	523
Public utilities	2,000	2,000	1,808	192
Professional services	1,300	2,570	2,431	139
Capital outlay	-	-	12,763	(12,763)
Total Expenditures	<u>48,057</u>	<u>50,496</u>	<u>56,086</u>	<u>(5,590)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,930	17,491	18,733	1,242
FUND BALANCE-BEGINNING OF YEAR	<u>66,616</u>	<u>66,616</u>	<u>66,616</u>	
FUND BALANCE-END OF YEAR	<u>\$ 86,546</u>	<u>\$ 84,107</u>	<u>\$ 85,349</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
POLICE OPERATIONS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 64,338	\$ 64,338	\$ 72,727	\$ 8,389
Police services	25,384	25,384	33,820	8,436
Miscellaneous	1,300	1,300	4,436	3,136
Penalties and fines	-	-	-	-
Interest	400	400	2,998	2,598
Total Revenues	91,422	91,422	113,981	22,559
EXPENDITURES				
Salaries and Wages	42,640	42,640	42,640	-
Payroll taxes	3,243	3,243	2,640	603
Property and liability insurance	4,700	4,951	4,951	-
Workers' compensation	800	880	1,760	(880)
Health insurance	9,996	9,996	9,994	2
Office supplies	300	300	187	113
Operating supplies	2,700	5,900	5,534	366
Professional services	1,200	1,200	1,200	-
Communication	829	1,404	1,404	-
Pension	4,200	4,950	4,950	-
Repairs and maintenance	3,000	3,000	1,199	1,801
Miscellaneous	500	500	82	418
Police liability	675	675	-	675
Office rent	1,200	1,200	1,200	-
Life insurance	-	959	959	-
Total Expenditures	75,983	81,798	78,700	3,098
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,439	9,624	35,281	25,657
FUND BALANCE-BEGINNING OF YEAR	89,714	89,714	89,714	
FUND BALANCE-END OF YEAR	\$ 105,153	\$ 99,338	\$ 124,995	

See accompanying notes to financial statements

**HOME TOWNSHIP
FIRE EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest	1,400	1,400	4,833	3,433
Miscellaneous	-	-	1,800	1,800
Total Revenues	<u>1,400</u>	<u>1,400</u>	<u>6,633</u>	<u>5,233</u>
EXPENDITURES				
Equipment	<u>15,000</u>	<u>42,837</u>	<u>354,244</u>	<u>(311,407)</u>
Total Expenditures	<u>15,000</u>	<u>42,837</u>	<u>354,244</u>	<u>(311,407)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(13,600)</u>	<u>(41,437)</u>	<u>(347,611)</u>	<u>(306,174)</u>
OTHER FINANCING SOURCES				
Loan proceeds	<u>-</u>	<u>-</u>	<u>190,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>(13,600)</u>	<u>(41,437)</u>	<u>(157,611)</u>	
FUND BALANCE-BEGINNING OF YEAR	<u>190,549</u>	<u>190,549</u>	<u>190,549</u>	
FUND BALANCE-END OF YEAR	<u>\$ 176,949</u>	<u>\$ 149,112</u>	<u>\$ 32,938</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
POLICE EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest	<u>2,900</u>	<u>2,900</u>	<u>2,863</u>	<u>(37)</u>
Total Revenues	<u>2,900</u>	<u>2,900</u>	<u>2,863</u>	<u>(37)</u>
EXPENDITURES				
Equipment	<u>2,000</u>	<u>2,000</u>	<u>291</u>	<u>1,709</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>291</u>	<u>1,709</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	900	900	2,572	1,672
FUND BALANCE-BEGINNING OF YEAR	<u>65,100</u>	<u>65,100</u>	<u>65,100</u>	
FUND BALANCE-END OF YEAR	<u>\$ 66,000</u>	<u>\$ 66,000</u>	<u>\$ 67,672</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP LIBRARY FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 44,000	\$ 44,000	\$ 47,204	\$ 3,204
Penal fines	25,000	29,507	29,507	-
State grants	3,000	3,650	3,631	(19)
Gifts	15,825	102,000	101,909	(91)
Interest	175	195	1,616	1,421
Miscellaneous	12,000	12,000	9,657	(2,343)
Total Revenues	<u>100,000</u>	<u>191,352</u>	<u>193,524</u>	<u>2,172</u>
EXPENDITURES				
Salaries and wages	44,882	47,882	47,882	-
Payroll taxes	3,118	3,118	3,276	(158)
Workshops	450	100	30	70
Transportation	300	200	170	30
Office supplies	1,600	2,600	2,775	(175)
Communications	2,000	2,000	1,970	30
Book supplies	800	825	731	94
Books	13,000	18,500	16,865	1,635
Subscriptions	2,300	2,230	1,999	231
Audio-visual and non-book	4,000	4,000	4,242	(242)
Repairs and maintenance	50	50	-	50
Programs	2,000	500	200	300
Professional and contracted services	1,300	1,100	1,508	(408)
Printing	100	60	55	5
Insurance	250	130	236	(106)
Utilities	5,000	5,000	4,702	298
Capital outlay	3,000	10,600	10,445	155
Miscellaneous	1,300	6,891	1,878	5,013
Building maintenance	2,500	2,500	2,005	495
Electronics	12,000	12,000	10,592	1,408
Software	50	600	580	20
Total Expenditures	<u>100,000</u>	<u>120,886</u>	<u>112,141</u>	<u>8,745</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	70,466	81,383	10,917
FUND BALANCE-BEGINNING OF YEAR	<u>101,503</u>	<u>101,503</u>	<u>101,503</u>	
FUND BALANCE-END OF YEAR	<u>\$ 101,503</u>	<u>\$ 171,969</u>	<u>\$ 182,886</u>	

See accompanying notes to financial statements

**HOME TOWNSHIP
SPECIAL REVENUE FUND - CEDAR LAKE LIGHTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Special assessments	\$ 1,199	\$ 1,199	\$ 1,199	\$ -
Interest	<u>20</u>	<u>20</u>	<u>27</u>	<u>7</u>
Total Revenues	<u>1,219</u>	<u>1,219</u>	<u>1,226</u>	<u>7</u>
EXPENDITURES				
Street Lights	<u>1,264</u>	<u>1,264</u>	<u>1,264</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45)	(45)	(38)	7
 FUND BALANCE-BEGINNING OF YEAR	 <u>1,096</u>	 <u>1,096</u>	 <u>1,096</u>	
FUND BALANCE-END OF YEAR	<u>\$ 1,051</u>	<u>\$ 1,051</u>	<u>\$ 1,058</u>	

See accompanying notes to financial statements

COMPLIANCE AND INTERNAL CONTROL

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

September 5, 2006

Members of the Township Board
Home Township
Montcalm County, Michigan

We have audited the general purpose financial statements of Home Township as of and for the year ended June 30, 2006, and have issued our report thereon dated September 5, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

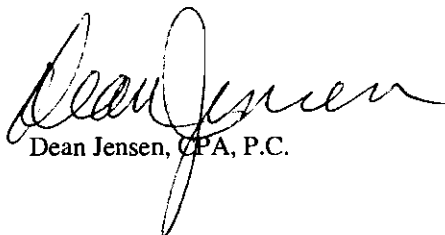
Compliance

As part of obtaining reasonable assurance about whether Home Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Home Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.


Dean Jensen, CPA, P.C.

DEAN JENSEN
Certified Public Accountant, P.C.

108 N. Lafayette St., Suite D
P.O. Box 605
Greenville, MI 48838

Telephone (616) 754-8888
Fax (616) 754-5281

September 5, 2006

To the Members of the Township Board
of Home Township

In planning and performing our audit of the general purpose financial statements of Home Township, for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 5, 2006 on the financial statements of Home Township.

Comments and Recommendations:

BUDGETS AND AMENDMENTS

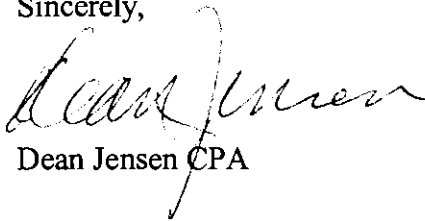
Public Act 621, the Uniform Budgeting Act provides a system of uniform procedures for the preparation and execution of budgets in local units of government in the State of Michigan.

During the audit for the year ended June 30, 2006, we noted that actual expenditures exceeded budgeted amounts as explained in footnote 1. Although the excess expenditures were not significant, it suggests an insufficient level of budgetary review is occurring throughout the year. We would recommend the Township officials periodically examine budget to actual reports to ensure compliance with laws and regulations.

There were no additional comments or recommendations that we deemed necessary to bring to the attention of the Township Board at this time. We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the members of the Township Board and related regulatory agencies.

Sincerely,

A handwritten signature in black ink, appearing to read "Dean Jensen", written over a horizontal line.

Dean Jensen CPA